

# Scottsdale City Council Meeting

September 23, 2003

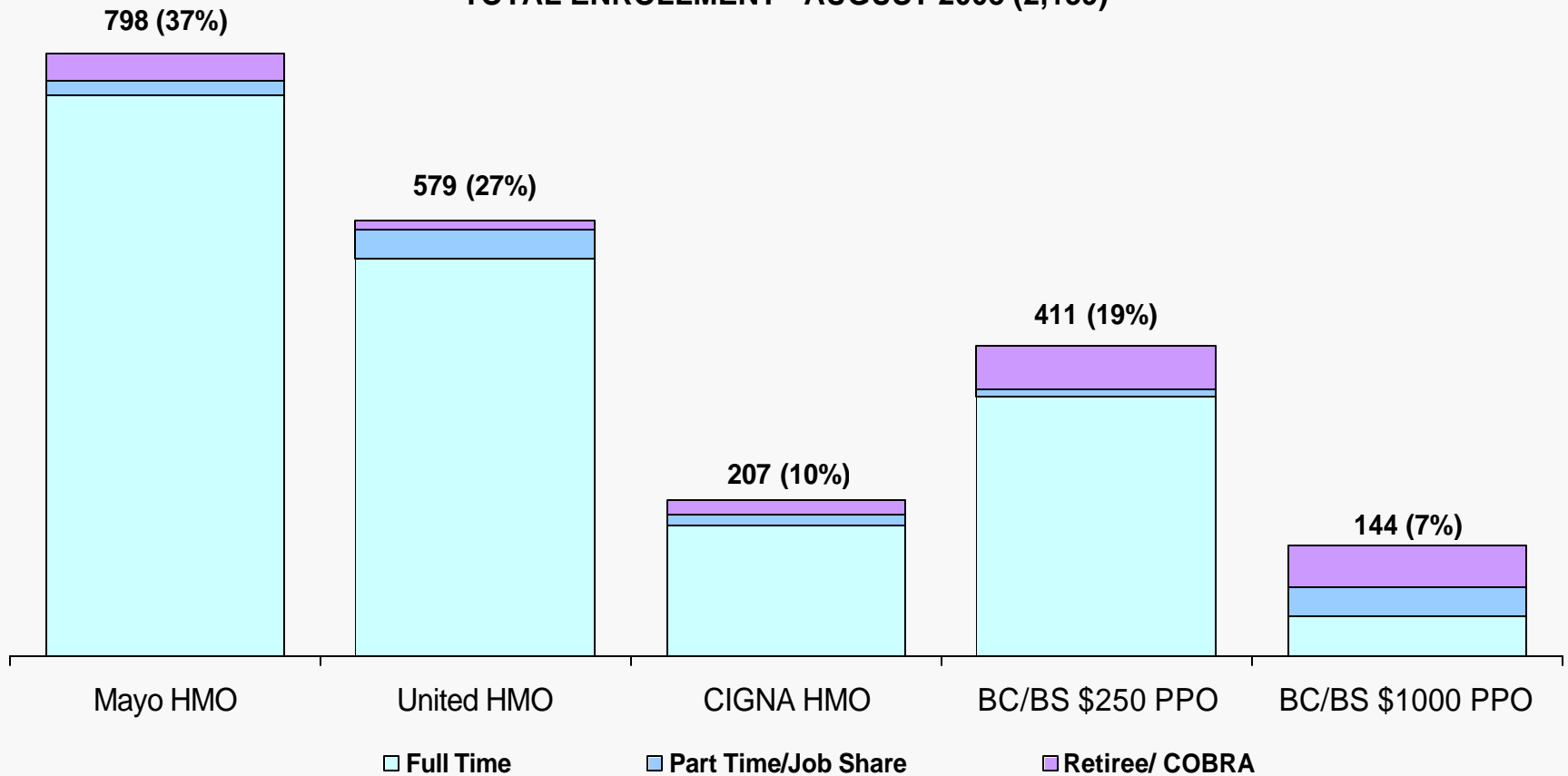
## Health Benefit Contracts Overview

# BACKGROUND

- Health benefit contracts expire December 2003
- Wrapping up 5 years with 5 plans
- Headlines: “Health care costs \$kyrocket”
- Short-term and long-term implications

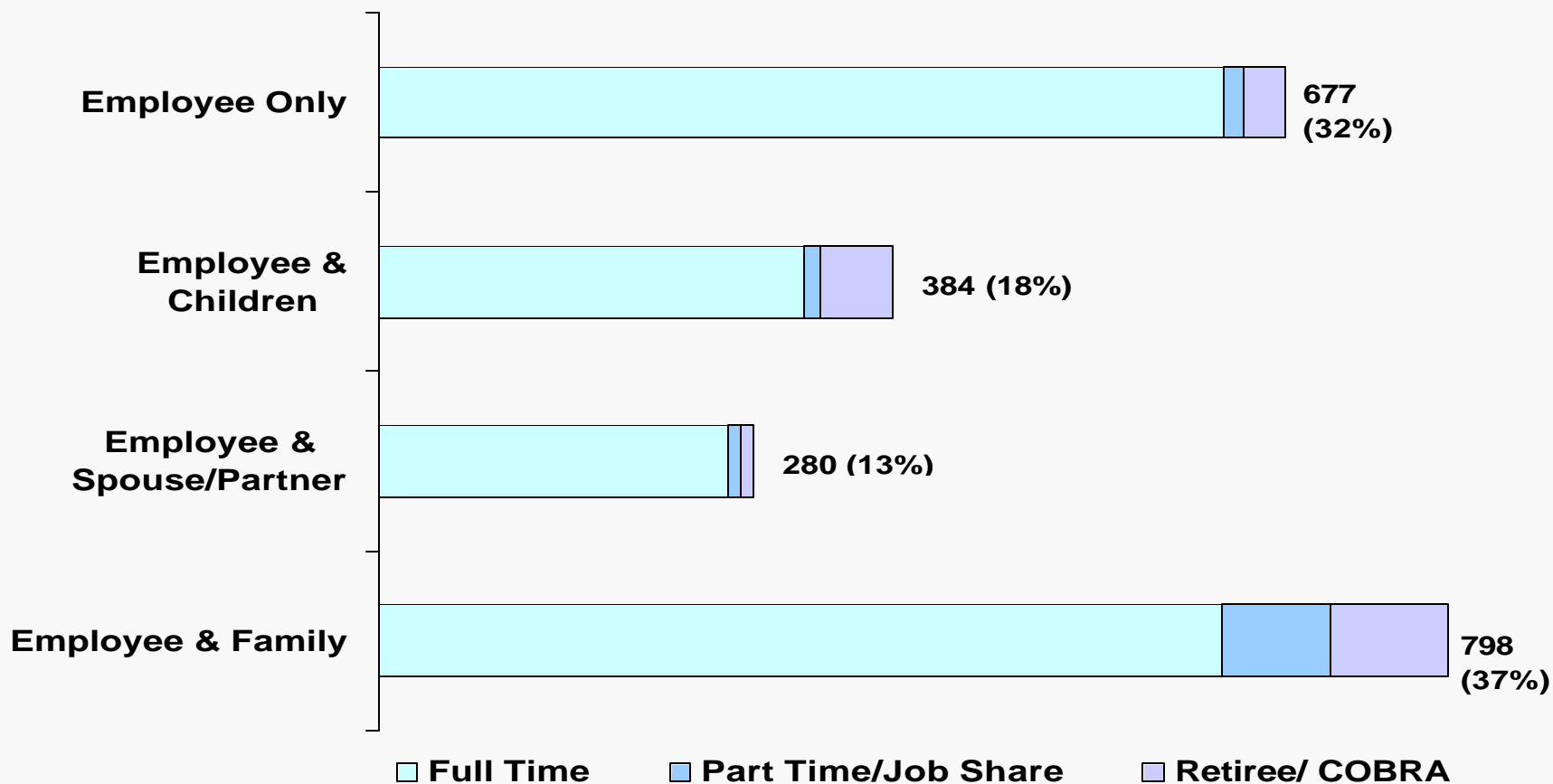
## 2003 MEDICAL PLAN ENROLLMENT

TOTAL ENROLLMENT - AUGUST 2003 (2,139)



## 2003 MEDICAL PLANS - ENROLLMENT BY TIERS

### TOTAL ENROLLMENT - AUGUST 2003 (2,139)



# PROJECT OBJECTIVES

- Quality health plan choices
- Competitive and affordable
- Minimize adverse impacts of transition
- Align benefits with fiscal year
- Stability/cost containment long-term...

# COST CONTAINMENT STRATEGIES

- Reduce number of plans/providers
- Change to a more equitable employer/employee contribution strategy
- Adjust co-pays/user fees with incentives
- Increase emphasis on education and wellness
- Assess “self-insured” option

# “Self-Insured” vs. “Fully-Insured”

- Self-Insured, the City:
  - Contracts for provider networks, pharmacy management and claims processing
  - Controls plan design and contribution rates
  - Assumes the risk for plan costs, including claims
  - Limits risk through stop-loss insurance
  - Maintains a self insurance trust fund
- Fully Insured:
  - City pays fixed monthly premiums to an insurance company
  - Insurance company controls plan design
  - Insurance company assumes the risk that premiums charged cover all of its claims and administrative costs

# PROJECT STEPS

- Communication
- RFPs
- Established evaluation team w/ consultants
  - Willis
  - IRIMS
- Evaluate proposals based on criteria:
  - Cost/value to employees and the City
    - Provider discounts
    - Premiums (fully insured)
    - Administrative fees (self-insured)



# PROJECT STEPS

- Evaluate proposals based on criteria (cont.):
  - Quality
    - Network size and location
    - Board certification levels
    - Provider credentialing
    - AZ Dept. of Insurance complaint ratio
    - National Council on Quality Assurance (NCQA) ratings
    - Disease management programs
  - Qualifications
    - Experience
    - Financial stability
    - References

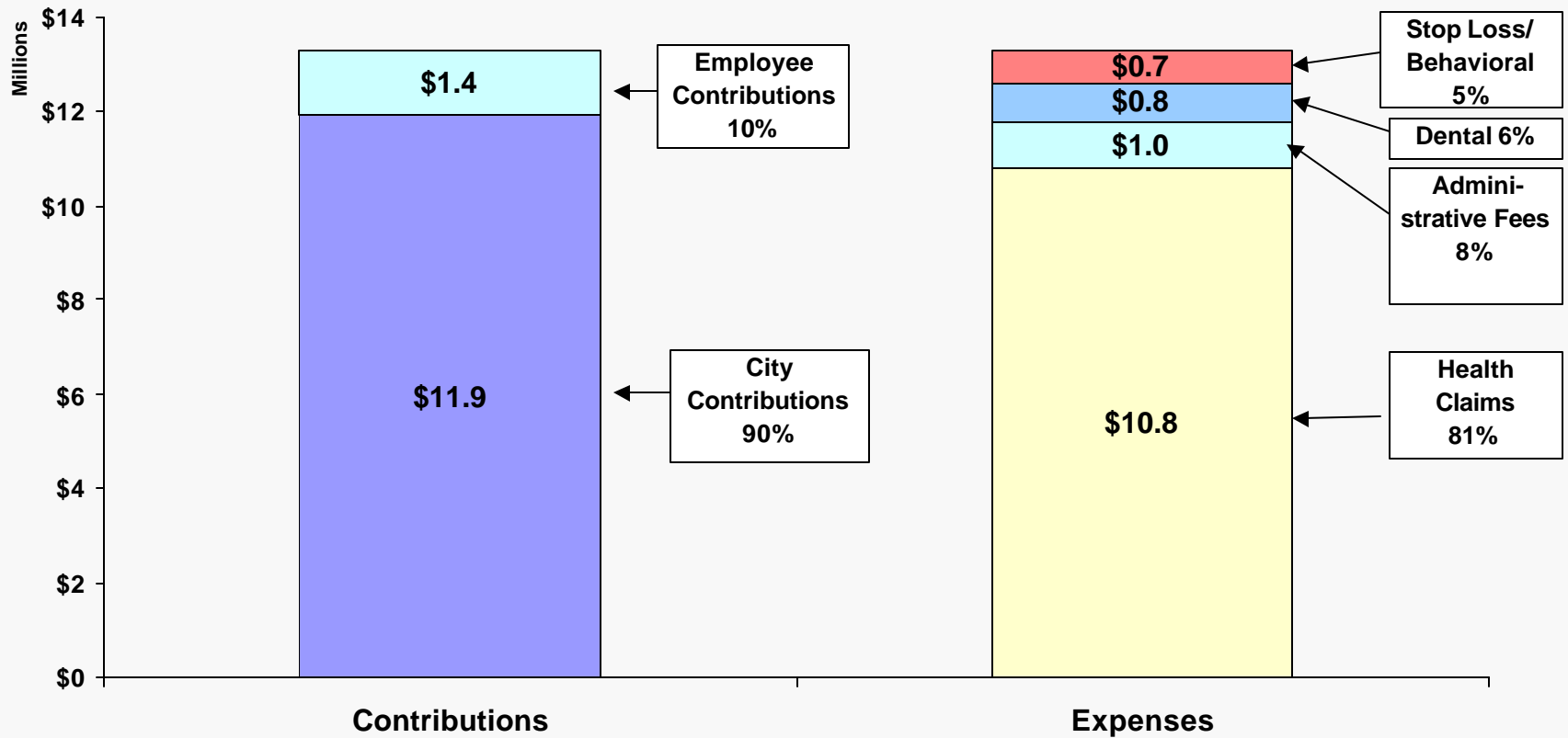
# PROJECT STEPS

- Narrowed field: 10-5-3-2
- Developed plans and rates to meet project objectives
- Negotiated 6 contracts
- Council authorization
- Communication/Implementation

# OVERALL RESULTS

- Medical/Rx –
  - Aetna Open Access Elect Choice/EPO (Aetna EPO)
  - Mayo Health Tradition PPO (Mayo PPO)
- Dental –
  - Fortis “Pre-paid”
  - Scottsmiles PPO (existing)
- Behavioral Health – CIGNA
- Life Insurance – CIGNA
- Long Term Care – Aetna

**2004 Contributions and Expenses for  
Medical (Health and Dental) Benefits - \$13.3M**



# AETNA EPO

<u>Tier</u>	<u>Monthly Premium</u>	<u>City Contribution</u>	<u>Full Time Employee Pays</u>	<u>Job Share/PT Employee Pays</u>
Employee Only	\$290.00	\$290.00	\$0.00	\$72.50
Employee & Child(ren)	\$479.00	\$455.00	\$24.00	\$137.74
Employee & Spouse/Partner	\$630.00	\$585.00	\$45.00	\$191.24
Employee & Family	\$736.00	\$670.00	\$66.00	\$233.50

# AETNA EPO

## FT EmployEE Monthly Premium Changes

From any current plan\* to Aetna – \$0 to a \$9.20 decrease

<u>Tier</u>	<u>Premium Change/Decrease</u>
EE Only	\$0 (remains \$0)
EE & Child(ren)	-\$1.96 to -\$6.14
EE & Spouse/Partner	-\$3.00 to -\$6.52
EE & Family	\$0.00 to -\$9.20

\* Excluding the BCBS \$1000 Plan

# MAYO PPO

<u>Tier</u>	<u>Monthly Premium</u>	<u>City Contribution</u>	<u>Full Time Employee Pays</u>	<u>Job Share/PT Employee Pays</u>
Employee Only	\$310.00	\$290.00	\$20.00	\$92.50
Employee & Child(ren)	\$495.00	\$455.00	\$40.00	\$153.74
Employee & Spouse/Partner	\$650.00	\$585.00	\$65.00	\$211.24
Employee & Family	\$775.00	\$670.00	\$105.00	\$272.50

# MAYO PPO

## FT EmployEE Monthly Premium Changes

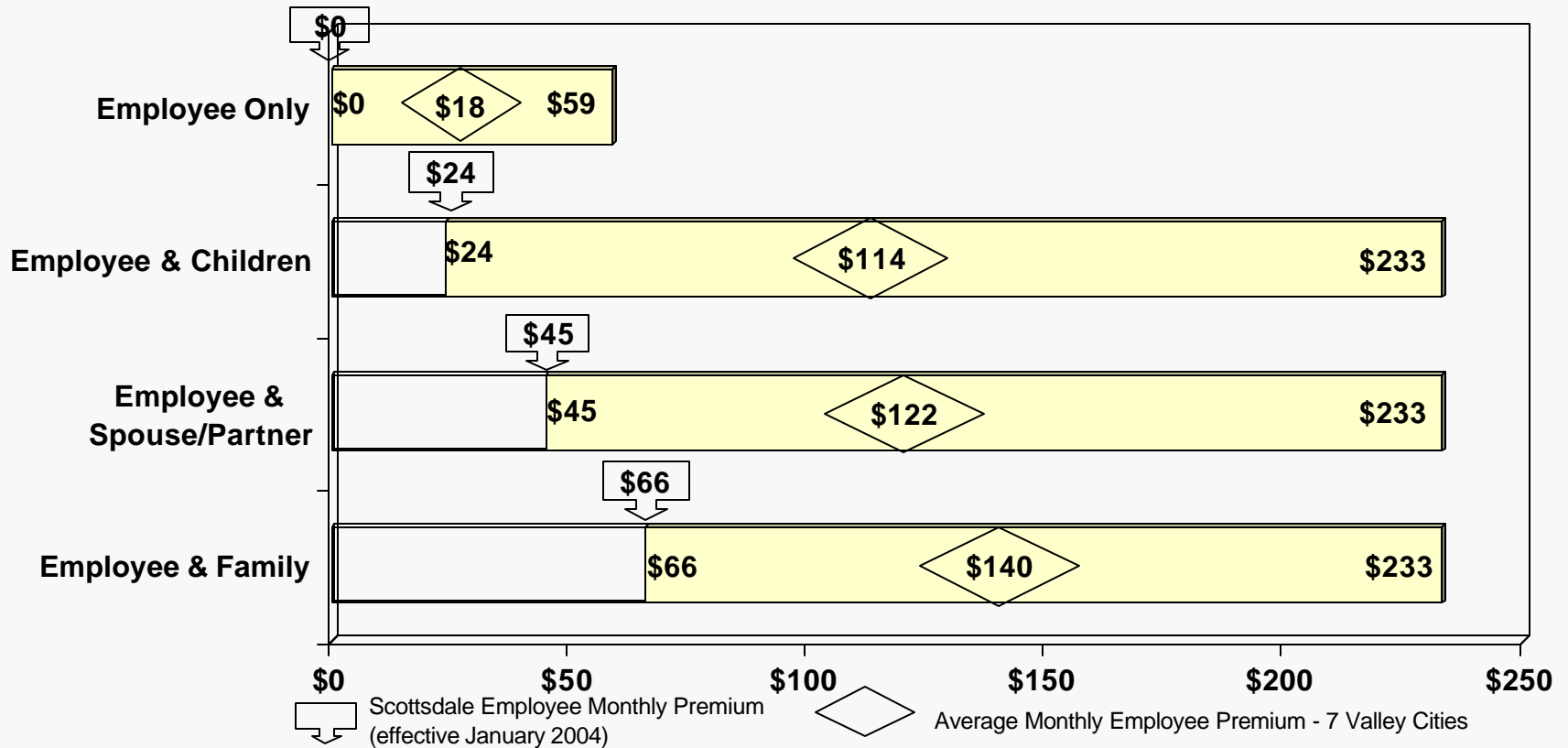
From any current plan\* to Mayo - increase \$9.86 to \$39.00

<u>Tier</u>	<u>Premium Increase</u>
EE Only	\$20.00
EE & Child(ren)	\$9.86 - \$16.00
EE & Spouse/Partner	\$13.48 - \$17.00
EE & Family	\$29.80 - \$39.00

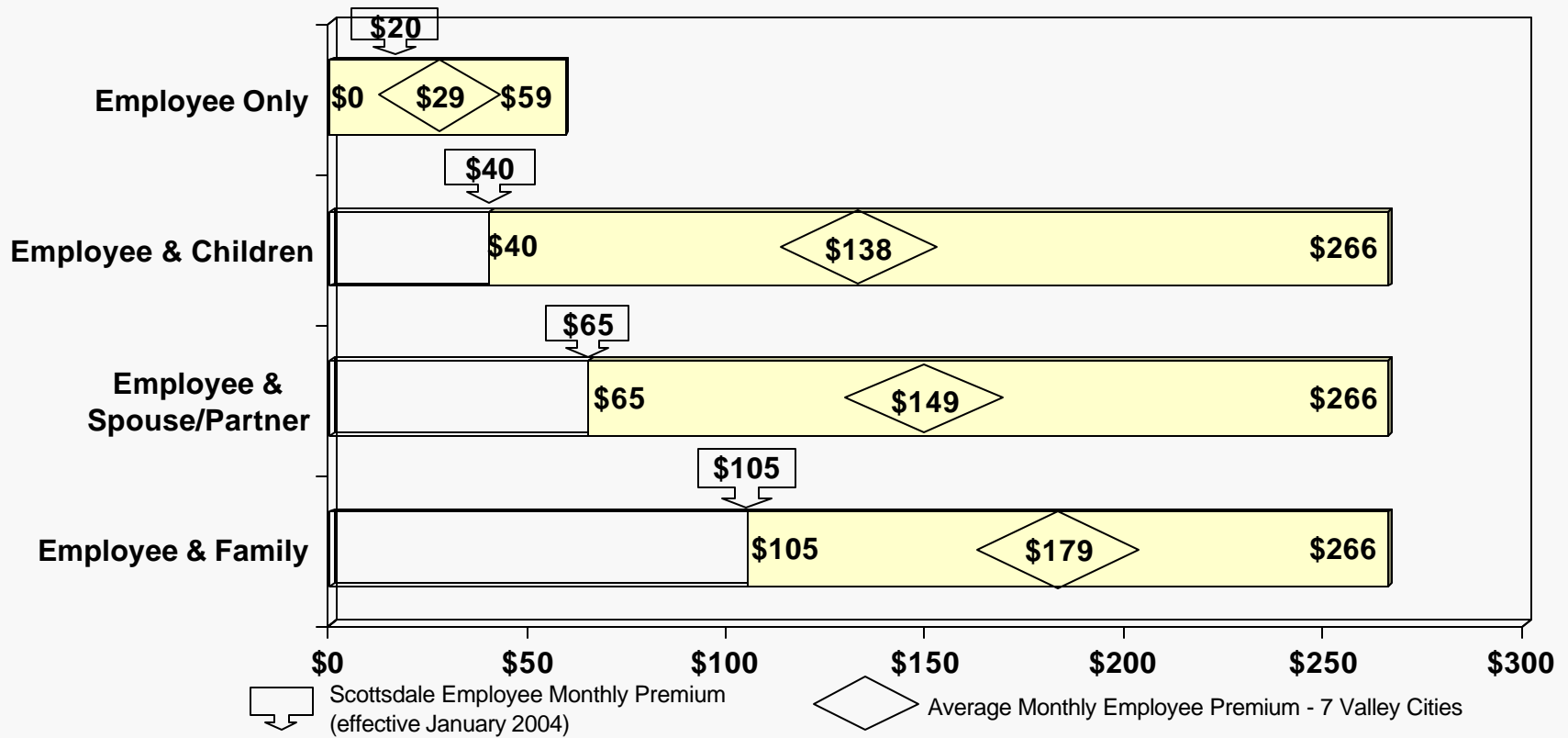
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## MONTHLY FULL TIME EMPLOYEE PREMIUMS - HMO PLAN SEVEN PHOENIX METRO CITIES



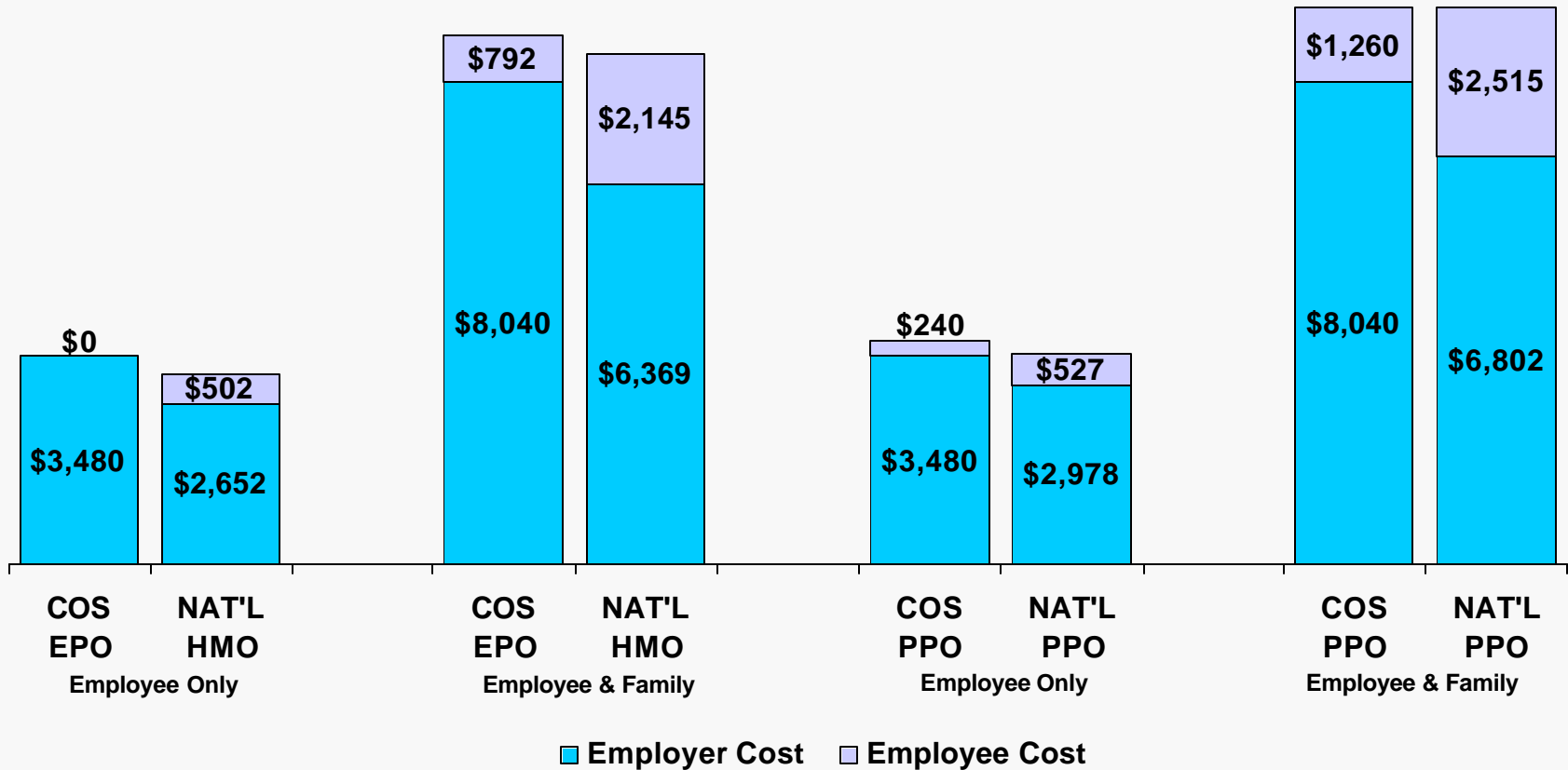
## MONTHLY FULL TIME EMPLOYEE PREMIUMS - PPO PLAN SEVEN PHOENIX METRO CITIES



# DISTRIBUTION OF HEALTH INSURANCE PREMIUMS

## How the City of Scottsdale compares to the National Average\*

(\*Kaiser Family Foundation, Employer Health Benefits, 2003 Annual Survey, September 2003)



## EmployEE “Co-Pay” Changes From any Current HMO to Aetna EPO

	<u>2003 HMO</u>	<u>2004 EPO</u>	<u>Co-Pay Change</u>
Regular Office Visit	\$10	\$15	\$5
Specialist Office Visit	\$10	\$25	\$15
Inpatient Hospital Care	\$0	\$150	\$150
Outpatient Surgery	\$0	\$100	\$100
Outpatient Lab/X-ray	\$0	\$0	\$0
Behavioral Health	\$0	\$0	\$0
Immunizations	\$0	\$0	\$0

## EmployEE “Co-Pay” Changes From Current PPO to Mayo PPO

<b><u>Co-Pay</u></b>	<b><u>2003 BCBS 250</u></b>	<b><u>2004 Mayo PPO</u></b>
Regular Office Visit	90% after deductible	\$15 (no deductible)
Specialist Office Visit	90% after deductible	\$25 (no deductible)
Other Services	90% after deductible	90% after deductible

## EmployEE “Deductible” Changes From Current PPO to Mayo PPO

<u>Deductibles</u>	<u>2003 BCBS 250</u>	<u>2004*</u>	<u>Change</u>
In-Network	\$250/\$500	\$350/700	\$100/\$200
Out of Network	\$250/\$500	\$700/\$1400	\$450/\$900

\*Deductible is good for 18 months – Jan 04 through June 05

# PRESCRIPTION CO-INSURANCE

<u>Category</u>	<u>Aetna and Mayo In-network</u>
Generic	10% co-ins, \$10 min/\$20 max (now \$10) (change \$0 to +\$10)
Brand Name	20% co-ins, \$20 min/\$40 max (now \$25) (change -\$5 to +\$15)
Non-Formulary	40% co-ins, \$40 min/\$80 max (now \$50) (change -\$10 to +\$30)

# PRESCRIPTION CO-INSURANCE

(Mail Order – 90 day supply)

<u>Category</u>	<u>Aetna and Mayo In-network</u>
Generic	\$20 (now \$10-\$20) (change \$0 to +\$10)
Brand Name	\$50 (now \$20-\$55) (change -\$5 to +\$30)
Non-Formulary	\$100 (now \$50-\$150) (change -\$50 to +\$50)



# ISSUES

- Increased costs in some cases
  - Premiums
  - Co-pays
  - PPO deductibles
  - Prescriptions
- No catastrophic plan option (i.e., \$1000 plan)
- Doctors not in networks
- Fewer plan choices
- Communication
- Quality perceptions

# QUALITY INDICATORS

- National Committee for Quality Assurance –  
Aetna “commendable” overall rating
  - Access and Services
  - Qualified Providers
  - Staying Healthy
  - Getting Better
  - Living with Illness

# QUALITY INDICATORS

- Percent Board Certified Primary Physicians
  - Mayo – 92.4%
  - Aetna – 84.9%
  - United – 78.4%
  - BCBS – 78.0%
  - Pacificare – 77.0%
  - Humana – 74.0%

# QUALITY INDICATORS

- AZ Dept. of Insurance complaint ratio for 2002 (per thousand)
  - Mayo - .000
  - Aetna - .180
  - BCBS - .197
  - Pacificare - .365
  - United - .659

# FAVORABLE OUTCOMES

- Aetna EPO
  - \$0 premium option for single full-time employees
  - No FT employee premium increase or premium decrease from comparable plan to Aetna
  - Open access to specialists
  - Arizona and National networks
- Mayo PPO
  - Office visit co-pays available with no deductible
  - 18 month deductible
  - Deductible included in out-of-pocket maximum
  - Out-of-network choice

# FAVORABLE OUTCOMES

- Preserved HMO & PPO options – 2 networks
- Retained “four-tiers” in both plans
- Price guarantees on all premium rates and co-pays for 18 months, through June 2005
- A new, one-rate for PT/JS at 75%
- Opt out is available for FT employees

# FAVORABLE OUTCOMES

- Cap for prescription costs
- Disease management and nurse line
- More wellness and education features
- Another open enrollment in six months

# NEXT STEPS

## Communication and Implementation

- Benefits Help-line and Website
- One-on-one consultations
- Benefit Briefings
- Benefit Expos (October 21 & 23)
- Mandatory Open Enrollment (Oct 20 – Nov 7)
- Optional Spring Open Enrollment
- Year-round communication



# PROJECT OBJECTIVES

- ✓ Quality health plan choices
- ✓ Competitive and affordable
- ✓ Minimize adverse impacts of transition
- ✓ Align benefits with fiscal year
- ✓ Stability/cost containment long-term...